

Morling Financial Advisors, LLC  
Part 2A of Form ADV: Firm Brochure  
March 12, 2020



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This brochure provides information about the qualifications and business practices of Morling Financial Advisors, LLC (hereinafter "Morling Financial Advisors" "MFA" "the firm" "we" us" or "our"). If you have any questions about the contents of this brochure, please contact us at (800) 607-5800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Morling Financial Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Morling Financial Advisors, LLC is an SEC registered investment advisor. Registration does not imply any level of skill or training.

## Item 2. Material Changes

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The following are material changes made to this document since our last amendment filing on September 20, 2019.

- We have no material changes to report.

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## Item 4. Advisory Business

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### Description of Advisory Business

Morling Financial Advisors is an independent registered investment advisor and provides financial planning and investment management services to its clients which consist of individuals, families, businesses, retirement plans, and non-profit organizations. MFA was founded in 1999 in the State of California. It is organized as a Limited Liability Company and its principal owners are Wa Huong and Peter Ling.

### Types of Advisory Services

MFA provides two services: investment management services and financial planning and consulting services.

#### *Investment Management Services*

Clients can engage MFA to manage all or a portion of their assets on a discretionary basis.

MFA typically assists clients in identifying and clarifying their investment objectives, constraints, risk tolerance, time horizon, liquidity needs, and other relevant factors that may impact investment needs. Based on these factors, MFA and the client will agree on an appropriate asset allocation.

Client assets are generally invested in mutual funds, exchange-traded funds (ETFs), listed equity and fixed-income securities (such as stocks, bonds, and options), hedge funds, as well as private equity, private debt, and other pooled investment vehicles. Some of these funds may be managed by other advisors.

Client assets may be allocated to strategies managed by other independent managers. The specific terms and conditions under which a client engages an independent manager are set forth in a written agreement between the independent manager and either MFA or the client. MFA continues to provide services relative to the discretionary selection of the independent managers.

#### *Financial Planning and Consulting Services*

Clients can engage MFA for financial planning or consulting services. Clients seek analysis and advice on a variety of topics, which frequently include: expenses and cashflow, insurance coverage, education funding, estate planning, charitable and philanthropic activities, real estate holdings, business issues, retirement plan setup and administration, or other financial topics.

Financial planning and consulting advice usually include recommendations for a course of activity or specific actions to be taken by clients. MFA refers clients to investment providers, accountants, attorneys, and other specialists as necessary. Implementation of recommendations is at the discretion of clients.

### Tailoring of Advisory Services

MFA's services are tailored to the individual needs of each client based on their financial situation. Clients may impose reasonable restrictions on the management of their assets.

### Wrap Fee Programs

We do not participate in wrap fee programs.

### Assets Under Management

As of December 31, 2019, MFA had \$272,813,083 of assets under management, all of which is managed on a discretionary basis.

## Item 5. Fees & Compensation

### Investment Management Fees

Investment management services are provided for an annualized fee which is prorated and billed quarterly, in arrears. The fee is based on the value of assets on the final day of the quarter and the fee may be prorated up or down based on intra-quarter contributions and distributions.

<u>Assets Under Management</u>	<u>Annualized Fee</u>
\$0 - \$999,999	1.00%
\$1,000,000 - \$1,999,999	0.85%
\$2,000,000 - \$4,999,999	0.80%
\$5,000,000 - \$9,999,999	0.70%
\$10,000,000 or More	0.60%

MFA typically deducts its investment management fees directly from client accounts quarterly, although clients may request an invoice that can be paid by check.

### Financial Planning & Consulting Fees

Financial planning and consulting services are billed on flat fee basis or an hourly basis.

#### *Flat Fee*

Flat fees are based on client complexity and the scope of the engagement. Flat fees typically consist of an initial planning fee and a recurring monthly fee. Initial planning fees can range from \$250 to \$15,000. Recurring monthly fees can range from \$150 to \$5,000. MFA may require a retainer in some cases, but only for services that can be rendered within six months. Flat fees are generally billed and invoiced monthly, in advance.

#### *Hourly Fee*

MFA's hourly fees are \$400/hour for partners and advisors and \$195/hour for data entry. Hourly fees are generally billed and invoiced monthly, in arrears.

### Advisory Fees in General

Although MFA has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client. Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm. Lastly, pre-existing advisory clients are subject to the advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum advisory fees may differ among clients.

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

### Other Fees and Expenses

In addition to MFA's advisory fees, clients usually incur other fees and expenses in connection with our advisory services. Custodians, broker-dealers, and other financial institutions may impose brokerage and other transaction costs, asset-based charges, custodial fees, margin interest, and other administrative fees. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

Mutual funds, ETFs, and other pooled investment vehicles typically pass management fees and other expenses through to their investors, so clients do incur these expenses to the extent that they invest in funds. Funds may also charge investors other types of fees such as transaction fees, early redemption fees and penalties, as well as 12b-1 fees.

Client assets may be allocated to other advisors or independent managers, who charge advisory fees, management fees, and other expenses to clients, in addition to MFA's advisory fees.

## Refunds

MFA's investment management and hourly fees are paid in arrears. If an agreement is terminated before the end of a billing period, MFA will only bill for services provided up until the effective termination date.

However, flat fees are typically paid in advance. If an agreement is terminated before the end of a billing period, clients may request a refund based on the amount of time remaining in the billing period.

## Compensation For The Sale of Securities

Neither MFA nor its supervised persons accept any compensation for the sale of investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## Item 6. Performance-Based Fees and Side-By-Side Management

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MFA does not accept performance-based fees.

## Item 7. Types of Clients

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MFA primarily serves individuals, high net worth individuals, couples, families, trusts, businesses, retirement plans, and non-profit organizations.

MFA's stated minimum for investment management services is \$500,000. In its sole discretion, MFA may accept clients with smaller portfolios based upon each client's particular circumstances. MFA reserves the right to waive the minimum at any time.

There is no minimum fee for financial planning and consulting services.

## Item 8. Methods of Analysis, Investment Strategies, & Risk of Loss

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### Methods of Analysis:

MFA reviews information from many sources to understand economic and market conditions, financial and tax issues, as well as information relating to specific investment managers, strategies, and vehicles. MFA evaluates information from multiple angles, including: of fundamental analysis, technical analysis, behavioral finance, statistical analysis, and other objective and subjective criteria.

### Investment Strategies:

MFA's investment recommendations are driven by individual client needs. We attempt to understand each client's unique financial situation in order to develop an appropriate strategic asset allocation. The strategic asset allocation provides allocation targets for the major asset classes, such as public equities and fixed-income, private equity and debt, real estate equity and debt, as well as other alternative asset classes.

We primarily use the following to gain exposure to various asset classes: index-based strategies for publicly-traded equities, open-end mutual funds, exchange-traded funds (ETFs), exchange-traded closed-end funds, closed-end interval funds, government securities, limited partnerships, offshore corporations, pooled or collective investment vehicles, and/or private placements. We do not typically engage in individual stock picking, options strategies, or insurance products such as annuities, but may do so upon request and/or to meet specific client objectives.

We believe in investing for the long-term, but opportunities, risks, and tax considerations may call for short-term purchases or trading. Long-term purchases are investments held at least a year, short-term purchases are investments sold within a year, and trading refers to investments sold within 30 days.

### Risk of Loss:

All investing involves a risk of loss. Past performance is not indicative of future results. Current and prospective clients should never assume that the future performance of any specific investment or investment strategy will be profitable. Clients and prospective clients should be prepared to bear investment loss, including the loss of the original principal. It is important that you understand the inherent risks of investing and that we cannot imply, represent, or guarantee that our recommendations or strategies will not suffer losses.

### Private Placements:

We may recommend privately placed collective investment vehicles (some of which may be referred to as “hedge funds,” “private equity,” “private debt,” “private real estate,” “fund of funds,” and other names) for certain clients. The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The funds may trade on margin, borrowed capital, or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are substantial risks incidental to the ownership of such investments and any investment is speculative and involves a high degree of risk of loss by the client of their entire investment. Investments in such are only for investors who qualify as accredited investors or qualified purchasers, as those terms are defined in the Securities Act. Investors in such must be able to bear the economic risk of losing their entire investment and understand that such an investment cannot readily be sold and is not suitable for an investor unless the investor has available other personal liquid assets to assure that their investment will not cause any undue financial difficulties or affect the investor’s ability to provide for current needs and possible personal financial contingencies. Clients should consult their attorney concerning such an investment and consult with independent tax counsel regarding the tax considerations of investing. No public market exists or is anticipated to exist for such investments. Therefore, each prospective investor must consider its investment to be illiquid. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

### Description of Material, Significant, or Unusual Risks:

*Market Risk:* The prices of individual investments or the entire stock market, bond market, real estate market, and other markets have and can decline in value. Future declines may be greater than past declines.

*Manager Risk:* Whether investing in a passively-managed index strategy or actively-managed strategy, there is a possibility that the manager misrepresents itself, commits fraudulent acts, and/or will not perform as expected and a loss of value is possible.

*Fund Risk:* Open-end, closed-end, and exchange-traded fund objectives and holdings vary widely. Owning investments with other shareholders exposes you to investment risks that you may not be otherwise exposed to, including but not limited to forced selling and/or taxable events. Funds also incur expenses, fees, and transaction costs which you may not incur if investments were held directly.

*Illiquidity:* If you want to sell an investment that you own, you may not be able to sell it. There may not be a secondary market or it may not function properly during times of market stress.

**Investing involves the risk of loss and there are many more risks that listed above. Clients should be prepared to bear such loss.**

## Item 9. Disciplinary Information

MFA is required to disclose the material facts of any legal or disciplinary events that are material to a person’s evaluation of our advisory business or the integrity of our management.

## Criminal or Civil Actions

There are no criminal or civil actions to report.

## Administrative Enforcement Proceedings

There are no administrative proceedings to report.

## Self-Regulatory Organization Proceedings

There are no self-regulatory organization proceedings to report.

# Item 10. Other Financial Industry Activities and Affiliations

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Our firm or our management persons have a material relationship with the following related person(s) as follows:

1. Morling & Company

Mr. Peter Ling's primary business is through his concurrent employment as an executive officer of the business and tax consulting firm of Morling & Company. He spends about 70% of his time on these activities. A conflict of interest may exist as our firm may recommend Morling & Company to advisory clients whom seek business and tax services, thus resulting in compensation being paid to Mr. Ling. Clients are under no obligation to act upon our recommendations.

2. Insurance Agent

Mr. Wa Huong, is an independent licensed insurance agent. As such, he may offer insurance products and receive normal and customary commissions as a result of insurance transactions. He spends about 5% of their time on these activities. A potential conflict of interest may exist between the interests of Mr. Huong and those of the advisory clients as the purchase of insurance products results in additional compensation for Mr. Huong. Clients are under no obligation to act upon any recommendations of Mr. Huong or effect any transactions through Mr. Huong if they decide to follow the recommendations.

3. Magnolia Tree Investments Inc.

Mr. Wa Huong is a managing member of Magnolia Tree Investments Inc, a real estate investment and advisory company not affiliated with Morling Financial Advisors. He spends about 10% of his time on these activities. Magnolia Tree Investments Inc. both owns real estate and organizes and manages investment entities to buy real estate. MFA does not provide services or receive any fee from these entities. Some clients of MFA may also be investors in these limited partnerships, however MFA does not actively recommend investment in, or solicit clients to become investors in Magnolia Tree Inc. partnerships, and no client is obligated to invest in these partnerships. However, a conflict of interest may exist as our firm could recommend Magnolia Tree Investment Inc. services and related funds to advisory clients who seek real estate investment opportunities, thus benefiting Mr. Huong.

4. Just Invest

Mr. Matt Shibata owns minority, non-controlling equity position in JustInvest LLC and Just Invest Systems, Inc. (collectively "Just Invest"), an SEC registered investment adviser. As discussed above, MFA recommends that certain clients authorize the discretionary management of a portion of their assets by and/or among certain Independent Managers, including Just Invest. This relationship results in a conflict of interest where MFA considers utilizing Just Invest as an Independent Manager for client accounts because Mr. Shibata owns equity positions in Just Invest. Clients are under no obligation to act upon our recommendations.

# Item 11. Code of Ethics, Participation, or Interest in Client Transactions and Personal Trading

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We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest



of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures with respect to transactions effected by our members, officers and employees for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

The firm or individuals associated with the firm may buy or sell for their personal accounts investment products identical to those recommended to Clients. It is our expressed policy that no person with access to client account data may enter an order to purchase or sell any security on the same day as an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts. It should be noted that a number of exemptions to this blackout policy exist and can be found in our Code of Ethics, which is available upon request. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

MFA has voluntarily subscribed to the "Best Practices for Financial Advisors" published by The Institute for the Fiduciary Standard. The Best Practices offer a simple code of conduct and outline a commitment to clients of subscribing financial advisors. They seek to clearly articulate what a client can expect to receive from a subscribing financial advisor. These Best Practices do not replace our regulatory compliance obligations or duties to clients under relevant laws, rules, or regulations. The Institute for the Fiduciary Standard's role is limited to publishing the Best Practices as well as maintaining a corresponding register of subscribing financial advisors. You can find a complete list of the Best Practices on our website or at <http://www.thefiduciaryinstitute.org/wp-content/uploads/2016/09/BestPracticesSpecificRequirementsSeptember132016.pdf> and verify our subscription status at [www.thefiduciaryinstitute.org](http://www.thefiduciaryinstitute.org).

## Item 12. Brokerage Practices

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### Selecting a Brokerage Firm:

MFA seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- Ability to maintain the confidentiality of trading intentions
- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Liquidity of the securities traded

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<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

- Willingness to commit capital
- Ability to place trades in difficult market environments
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation

With this in consideration, our firm has an arrangement with Schwab Institutional, a division of Charles Schwab & Co., Inc. ("Schwab") and with TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"). Schwab and TD Ameritrade offer services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. MFA receives a benefit because it does not have to produce or pay for these benefits.

Schwab and TD Ameritrade charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for fixed-income securities transactions). Schwab and TD Ameritrade enable us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. The commission and transaction fees charged by Schwab and TD Ameritrade may be higher or lower than those charged by other custodians and broker-dealers.

Our clients may pay a commission to Schwab and TD Ameritrade that is higher than another qualified broker dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

### Soft Dollars:

Our firm does not accept products or services that do not qualify for Safe Harbor outlined in Section 28(e) of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution.

Schwab and TD Ameritrade may make certain research and brokerage services available at no additional cost to our firm all of which qualify for the safe harbor exemption defined in Section 28(e) of the Securities Exchange Act of 1934. These services may be directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by Schwab and TD Ameritrade may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Schwab and TD Ameritrade to our firm in the performance of our investment decision-making responsibilities.

We do not use client brokerage commissions to obtain research or other products or services, beyond the aforementioned safe harbor exemptions of research and brokerage services which are used by our firm to manage

accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense. Thus, as a result of receiving these services, we may have an incentive to continue to use or expand the use of Schwab and TD Ameritrade services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with Schwab and TD Ameritrade and we have determined that the relationship is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

## Brokerage for Client Referrals

MFA and its related persons do not receive client referrals from broker-dealers or third-parties in exchange for using any broker-dealer or third-party services.

## Directed Brokerage

We allow clients to direct brokerage. However, we may be unable to achieve the most favorable execution of client transactions. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices.

## Special Considerations for ERISA Clients:

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

## Aggregation of Purchase or Sale:

MFA performs investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are effected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

## Item 13. Review of Accounts and Financial Plans

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Client accounts and financial plans are monitored on an ongoing basis by the Financial Advisors and Managing Partners. Reviews are conducted on at least a quarterly basis, as well in connection with reviews with clients or more often as market conditions dictate.

MFA recommends a yearly review with clients, either in person or by telephone. Clients may request more frequent reviews.

Clients typically receive account statements directly from their chosen custodian on at least a quarterly basis. MFA typically supplements these custodial statements during client meetings or as requested.

## Item 14. Client Referrals and Other Compensation

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MFA receives an economic benefit from custodians in the form of the support products and services they make available to MFA and other independent investment advisors that have their clients maintain accounts at Schwab and TD Ameritrade. These products and services, how they benefit us, and the related conflicts of interest are described above (*see Item 12 –Brokerage Practices*). The availability to us of our custodian's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### Referral Fees:

MFA does not directly or indirectly compensate anyone for client referrals.

### Events:

We may host or co-host events that are fully or partially sponsored by third-parties. The third-parties may include investment sponsors, managers, custodians, vendors, or other parties that we have relationships with.

## Item 15. Custody

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As noted in Item 5, MFA has the ability to deduct advisory fees directly from client accounts. The Securities and Exchange Commission generally takes the position that any arrangement under which a registered investment adviser is authorized or permitted to withdraw client funds or securities maintained with a custodian upon the adviser's instruction to the custodian is deemed to have custody of client funds and securities.

The account custodians that we recommend to our clients send statements directly to the account owners on a monthly or quarterly basis. In some cases, custodians may send statements on a less frequent basis. Clients should carefully review these statements and compare these statements to any account information provided by MFA.

## Item 16. Investment Discretion

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MFA accepts and exercises discretionary authority to manage accounts on behalf of clients, pursuant to an executed advisory agreement. MFA takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The costs at which the transactions will be effected; and
- The independent managers to be hired or fired.

Limitations to the above may be imposed by clients in the form of specific constraints on any of these areas of discretion with MFA's written acknowledgement.

## Item 17. Voting Client Securities

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MFA does not vote nor accept the authority to vote client securities. Clients receive proxies or other solicitations directly from their custodian or a transfer agent. A copy of MFA's proxy voting policies and procedures is available to clients upon request.

## Item 18. Financial Information

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MFA is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.